

Message Text

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PAGE 01 AMMAN 03560 01 OF 02 061717Z

41

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 026928

P 061443Z JUL 76

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC PRIORITY 8450

INFO AMEMBASSY JIDDA PRIORITY

S E C R E T SECTION 1 OF 2 AMMAN 3560

EXDIS

ALSO FOR AID; DEPT PASS SECDEF (ISA/DSAA)

E.O. 11652: GDS

TAGS: EAID, JO, US

SUBJECT: INTERIM QUARTER SUPPORTING ASSISTANCE

REF: STATE 165509

1. WE HAVE REVIEWED REQUIREMENTS AND POSSIBLE USES FOR DOLS 60 MILLION AUTHORIZED AND APPROPRIATED FOR JORDAN FOR THE PERIOD JULY-SEPTEMBER 1976 INCLUSIVE. THE FOLLOWING REPRESENTS OUR GENERAL RECOMMENDATION THAT, IF AT ALL POSSIBLE, (AND IF NECESSARY, INTERIM QUARTER FUNDS BE USED IN CONNECTION WITH THE PROMOTION OF A RESOLUTION OF THE PROBLEM OF SAUDI ARABIAN FUNDING FOR A JORDANIAN AIR DEFENSE SYSTEM.

2. THERE IS SOME INDICATION THE SAUDIS WOULD BE MORE FORTHCOMING IF THE US PROVIDED SOME FUNDING. WE PRESUME THAT IT MIGHT ASSIST IN DEALING WITH THE SAUDIS IF THE FUNDS WERE GRANT AND PROVIDED AT THE FRONT END OF THE DEAL (I.E., NOW, RATHER THAN SOME MORE VAGUE PROMISES OF CREDIT IN THE PERIOD 1979-80). ALSO, FUNDS NOW AT THE FROND END COULD ENHANCE THE VALUE TO ALL PARTIES OF WHAT MIGHT BE NECESSARY COMMITMENTS OF CREDIT IN 1979, 1980, PARTICULARLY IF THE CREDIT HAS TO BE BACKED BY A THIRD PARTY SUCH AS SAUDI ARABIA BECASUE OF EXPECTED

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SECRET

PAGE 02 AMMAN 03560 01 OF 02 061717Z

CONTINUING GOJ INABILITY TO PAY. WE SEE THREE POSSIBLE

WAYS OF USING OR OBTAINING THE FUNDS, NOW APPROPRIATED IN A FORM WHICH LIMITS THEIR APPLICABILITY TO MILITARY PROJECTS, I.E., SUCH USE IS PROHIBITED FOR SA BY TERMS OF LAW AND BY OUR CURRENT FORM OF AGREEMENT WITH GOJ FOR BUDGET SUPPORT FUNDS AS THEY ARE TURNED OVER TO GOJ.

A) USE OF FAA TRANSFER AUTHORITIES, I.E., SECTION 610 OR SECTION 614. SECTION 610 WOULD SEEM TO ALLOW TRANSFER BY THE PRESIDENT "WHENEVER HE DEEMS IT TO BE NECESSARY," NOT TO EXCEED 10 PERCENT OF SA FUNDS TO OTHER PURPOSES OF THE ACT IF SUCH FUNDS, I.E., GRANT AID, FORGIVEN CREDIT, ETC., DO NOT EXCEED BY 20 PERCENT AMOUNT APPROPRIATED IN THE CATEGORY TO WHICH THEY ARE TRANSFERRED. UNFORTUNATELY, OUR TEXT OF THE SECTION IS PUBLISHED IN 1974 SO WE ARE UNAWARE OF AMENDMENTS WHICH MIGHT FURTHER LIMIT THIS AUTHORITY OF THE PRESIDENT. ALSO WE DO NOT KNOW WHETHER THE BASE FIGURES INVOLVED ARE THOSE FOR THE TQ OR FY 1976 PLUS TQ. FINALLY WE ARE NOT AWARE OF THE TOTAL FUNDS APPROPRIATED IN EACH CATEGORY IN ORDER TO JUDGE THE FINITE LEVEL OF THE LIMITATIONS. UNDER SECTION 614(A) THE PRESIDENT, WE BELIEVE, COULD PERMIT THE USE OF UP TO DOLS 50.0 MILLION OF JORDAN SA FOR MILITARY GRANT PURPOSES IF HE FINDS THAT IT IS "IMPORTANT FOR THE SECURITY OF THE UNITED STATES." UNDER SECTION 614(C) AN UP TO A FURTHER DOLS 50.0 MILLION COULD POSSIBLY ALSO BE SO TRANSFERRED AS WELL, WITH THE PROVISIO THAT THE PRESIDENT NEED ONLY INFORM THE SPEAKER AND KEY MEMBERS OF THE SFRC. AGAIN, WE ARE NOT AWARE OF ANY LATER AMENDMENTS TO THESE AUTHORITIES WHICH MIGHT FURTHER LIMIT THEM. WE ARE ALSO AWARE THAT A USE OF THEM CONTRARY TO CONGRESSIONAL INTENTIONS MIGHT WELL END IN SEEING THEM REPEALED; HOWEVER, WE DO UNDERSTAND THAT SOME INFLUENTIAL MEMBERS OF CONGRESS ARE PREPARED TO ASSIST IN THE JORDAN PROBLEM. IF TRANSFER CAN BE EFFECTED, ONE CONCEIVABLE WAY OF USING THE FUNDS IS AN FMS CREDIT LOAN AT PREVAILING COMMERCIAL RATES TO BE REPAID IN PRINCIPAL BY SAUDI ARABIA OVER 10 YEARS, WITH JORDAN PAYING THE INTEREST. THE DOLS 60.0 MILLION WOULD FINANCE UNDER THE GUARANTEE ARRANGEMENT A LOAN OF DOLS 600.0 MILLION AT NO COST TO

SECRET

SECRET

PAGE 03 AMMAN 03560 01 OF 02 061717Z

THE US GOVERNMENT AND WITH NO CHANGE IN INTERNAL US BUDGET CEILINGS.

B) A SECOND POSSIBILITY, MORE HAZARDOUS, MIGHT BE TO DEVELOP AN UNDERSTANDING WITH JORDAN THAT IF DOLS 60.0 MILLION IS PROVIDED IN BUDGET SUPPORT, JORDAN WOULD PROVIDE DOLS 60.0 MILLION IN ITS OWN FUNDS FOR THE AIR DEFENSE DEAL. THE SAUDIS WOULD OF COURSE HAVE

TO KNOW OF THE ARRANGEMENT. IT MIGHT BE CONTRARY TO SOME INTERPRETATIONS OF THE LAW (WE ARE JUST NOT SURE). HOWEVER, WE DO NOT BELIEVE JORDAN HAS OR CAN EASILY RAISE DOLS 60.0 MILLION ON ITS OWN AT THE PRESENT TIME, ALTHOUGH IT IS NOT INCONCEIVABLE SOME LIBYAN FUNDS MIGHT BE MADE AVAILABLE. MOREOVER, IT CAN BE LOGICALLY DEFENDED THAT FUNDS FROM SECURITY SUPPORTING ASSISTANCE ARE JUSTIFIABLE IN SUCH A SITUATION, SINCE 1) THE GOJ DOES HAVE SUFFICIENT CIVILIAN EXPENDITURES IN ITS BUDGET IN THE T.Q. FOR THE \$60 MILLION TO OFFSET, AND 2) THE \$60 MILLION IN BUDGET SUPPORT WOULD CLEARLY BE USED TO OFFSET GOJ EXPENDITURES REQUIRED TO SATISFY A CRITICALLY IMPORTANT DEFENSE NEED, I.E. FOR ENSURING THE FINANCING REQUIRED TO ESTABLISH A US AIR DEFENSE SYSTEM HERE. THIS IS IN OUR JUDGMENT CONSISTENT WITH THE GENERAL THESIS ON WHICH WE HAVE REGULARLY SUPPORTED JORDANIAN BUDGET. IN THIS CONNECTION, WE DO NOT BELIEVE THAT WE NECESSARILY NEED TO FEEL OBLIGED TO ARGUE THE RATIONALE IN PARA 2 REFTEL. WHILE THE JORDANIANS MIGHT THEMSELVES LIKE TO ARGUE THAT THE \$25 MILLION IN BUDGET SUPPORT MENTIONED THEREIN RESTORES CUTS IN THE FY-76 AND FY-77 PROGRAM AND REPRESENTS THE ONE-FOURTH LEVEL OF THE IQ, WE BELIEVE WE SHOULD TAKE THE POSITION THAT AS MUCH OF DOLS 60 MILLION AS POSSIBLE SHOULD BE ALLOCATED FOR AIR DEFENSE AS A MEANS OF SALVAGING THIS IMPORTANT PROGRAM WHICH THE KING AND PRIME MINISTER HAVE INSISTED HAS OVERRIDING PRIORITY. RECENTLY PM RIFAI HAS SHOWN SOME INTEREST IN THIS GENERAL APPROACH.

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PAGE 01 AMMAN 03560 02 OF 02 061738Z

41

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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P 061443Z JUL 76

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC PRIORITY 8451

INFO AMEMBASSY JIDDA PRIORITY

S E C R E T SECTION 2 OF 2 AMMAN 3560

EXDIS

ALSO FOR AID; DEPT PASS SECDEF (ISA/DSAA)

C) A THIRD ALTERNATIVE MIGHT BE TO ATTEMPT TO SECURE CONGRESSIONAL SUPPORT IN THE FORM OF LEGISLATION TO USE THE DOLS 60.0 MILLION IN TQ SA FUNDS FOR THE AIR DEFENSE DEAL. WE CANNOT JUDGE THE CONGRESSIONAL REACTION, BUT WE ASSUME IT WOULD PROBABLY BE NEGATIVE TO RECONSIDERING THE QUESTION OF TQ FUNDS.

3. IF TQ FUNDS ABSOLUTELY CAN TBT BE USED IN DIRECT CONNECTION TO FUNDING OF AIR DEFENSE SYSTEM, (OR ARE NOT REQUIRED FOR THAT PURPOSE), THEN THERE IS A WIDE RANGE OF OTHER PROGRAM OPTIONS AVAILABLE TO US AS DESCRIBED IN STATE 165509. WE HAVE THEN UNDER REVIEW BUT WOULD PREFER TO COMMENT FURTHER UPON CLARIFICATION MATTERS RAISED IN THIS MESSAGE. FOR TACTICAL REASONS WE ALSO SEE MERIT LINKING TQ FUNDS AT THIS TIME ONLY TO POSSIBLE FINANCING OF US AIR DEFENSE EXPENDITURES RATHER THAN SUGGESTING THEY MIGHT BE USED FOR OTHER PURPOSES. WE BELIEVE SUGGESING THAT FUNDS ARE AVAILABLE FOR BUDGET OR DEVELOPMENT PURPOSES WOULD GIVE THE WRONG POLITICAL SIGNAL UNTIL SOVIET AIR DEFENSE OPTION IS NO LONGER UNDER CONSIDERATION. IN THIS CONNECTION, IF JORDAN DOES GO FOR A SOVIET AIR DEFENSE DEAL, WE WOULD NOT WANT TO PRECLUDE THE POSSIBILITY NOW THAT THE US WOULD WANT TO WITHHOLD SOME OR ALL OF THESE FUNDS, BUT ESPECIALLY ANY THAT MIGHT GO INTO BUDGET SUPPORT,
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SECRET

PAGE 02 AMMAN 03560 02 OF 02 061738Z

PARTICULARLY IF JORDAN UNDERTOOK A DEBT TO THE SOVIETS FOR AN AIR DEFENSE DEAL.¹

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